

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 5, 2007
POSITION: Neutral
SPONSOR: Los Angeles Unified School District

BILL NUMBER: SB 901
AUTHOR: A. Padilla

BILL SUMMARY: State Teachers' Retirement: Postretirement Earnings

This bill would extend the sunset on an exemption from an earnings limit placed on retired members of the State Teachers' Retirement System (CalSTRS) and provisions of the Teachers' Retirement Law to June 30, 2009, from January 1, 2008.

FISCAL SUMMARY

The administrative costs of this bill would be minor and absorbable.

Typically when annuitants work beyond the earnings limit, their monthly pension stipends are reduced by an amount equal to the excess earnings. This results in a direct gain for the pension system because it reduces the pension system's liabilities.

COMMENTS

The Department of Finance is neutral on this bill because it would only extend the sunset date on current provisions.

Existing law limits the amount of post-retirement income that may be earned in teaching employment without a reduction in the retirement benefits of a retired CalSTRS member and any curriculum-specific exemptions applicable. Existing law contains provisions related to an exemption based on the employer not able to receive state apportionment or to compensation that is not creditable indefinitely. This bill would extend the sunset date to June 30, 2009 and be repealed on January 1, 2010.

CalSTRS members who retire from service and accept employment performing creditable service in the California public school system are subject to a postretirement earnings limitation, unless they are otherwise exempt from the limit. Retired members can earn up to \$27,060 for fiscal year 2006-07 and \$27,940 for fiscal year 2007-08. Any amount earned beyond this limit results in an equal reduction to the member's retirement benefit. The earnings limit is adjusted each year on July 1, by the change in average earnable salary of active members.

A retired member is exempt from the earnings limit if the member:

- Returns to postretirement CalSTRS-covered employment after a period of, at least 12 consecutive months without performing CalSTRS-covered service.
- Returns to fill an administrative position for up to one-half of the full-time equivalent that is vacant because of an unanticipated situation.
- Retired on or before July 1, 2004, and returns to provide direct classroom instruction for grades kindergarten through 12 or direct remedial education in a classroom for grades 2 through 12. This bill would extend this benefit to teachers who retired for service on or before January 1, 2006.

Analyst/Principal (0932) K. Hansen	Date	Program Budget Manager Thomas E. Dithridge	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL NUMBER

SB 901

		(Fiscal Impact by Fiscal Year)								
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
1920/STRS		SO	No	----- No/Minor Fiscal Impact -----						0835
<u>Fund Code</u>	<u>Title</u>									
0835	Teachers' Retirement Fund									